

KOREAN REGISTER OF SHIPPING

**Independent Auditor's Report
for Financial Statement**

59th

from January 01, 2021
to December 31, 2021

58th

from January 01, 2020
to December 31, 2020

AnKyung Accounting Corporation

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Independent Auditor's Report for Financial Statements

To the Employees and Board of Directors of
Korean Register of Shipping

Audit Opinion

We have audited the accompanying financial statements of Korean Register of Shipping (hereinafter referred to as the "Company"). The financial statements consist of the statement of financial position as of December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the internal accounting control system and the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We have audited the accompanying financial statements in accordance with Korean IFRS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Republic of Korea, and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Responsibility of Management & Governance Committee for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of the accompanying financial statements the internal accounting control system and the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with K-IFRS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with K-IFRS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managements.
- Conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with governance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AnKyung Accounting Corporation

CEO: Kim Jin-Seon

February 9, 2022

This report is effective as of the audit report date (February 9, 2022). Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

(Attached) Financial Statements

Korean Register of Shipping

59th
from January 01, 2021
to December 31, 2021

58th
from January 01, 2020
to December 31, 2020

"The following Financial Statements have duly been prepared by the Korean Register of Shipping
"

LEE HYUNG CHUL, CEO, Korean Register of Shipping

Headquarter: (Road Name Address) 36, Myeongji Oceancity 9-ro, Gangseo-gu, Busan, Korea
(Tel) : 070-8799-8654

Statement of Financial Position

59th Term: As of December 31, 2021

58th Term: As of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	59th (2021)	58th (2020)
Asset		
I. Current asset	38,998,748,265	41,989,433,542
(1) Quick Assets	38,998,748,265	41,989,433,542
1. Cash and cash equivalent (Note14)	23,769,024,881	17,814,728,914
2. Trade receivable (Note11,14)	16,713,848,691	20,984,349,794
Allowance for bad debts	(3,516,624,314)	(4,965,647,463)
3. Short term investment	-	7,291,310,549
4. Accrued income (Note11,14)	8,420,517	12,173,240
5. Advance payment (Note11)	288,799,927	316,383,217
6. Prepaid expense	501,136,133	521,800,200
7. Income tax refund receivables	1,187,587,729	-
8. Other current assets	46,554,701	14,335,091
II. Non-current assets	120,217,501,134	110,830,964,664
(1) Investment assets	10,976,797,137	10,975,912,245
1. Long-term investment securities (Note 3)	10,902,968,437	10,902,309,045
2. Long term loan (Note 11, 14)	73,828,700	73,603,200
(2) Tangible assets (Note 4)	98,915,161,850	93,226,526,489
1. Land	17,685,785,632	17,393,516,784
2. Building	99,264,513,314	90,220,010,575
Accumulated depreciation	(22,633,014,489)	(20,423,618,266)
3. Structure	490,049,799	490,049,799
Accumulated depreciation	(454,847,923)	(452,378,023)
4. Machinery	8,947,485,563	9,541,244,893
Accumulated depreciation	(7,331,670,222)	(7,367,530,359)
5. Vehicle and transport	2,097,958,615	2,140,873,787
Accumulated depreciation	(1,432,391,139)	(1,353,544,463)
6. Other tangible asset	24,661,513,034	23,535,729,140
Accumulated depreciation	(22,643,493,061)	(21,413,982,088)
7. Assets under construction	263,272,727	916,154,710
(3) Intangible assets (Note 5)	2,170,888,590	2,059,275,119
1. Software	2,120,771,008	2,002,593,119
2. Usable and profitable donation assets	2,961,545,772	3,339,575,114
Government subsidies	(2,911,428,190)	(3,282,893,114)

(4) Other non-current assets		8,154,653,557		4,569,250,811
1. Guarantee deposit	2,492,829,302		1,711,016,408	
2. Corporate membership	2,342,546,026		2,152,135,536	
3. Pension plan asset	3,319,278,229		706,098,867	
Total assets		159,216,249,399		152,820,398,206
Liabilities				
I. Current liabilities		21,769,415,153		21,110,869,330
1. Short term borrowings (Note 6, 15)	5,647,500		-	
2. Non-trade payables (Note 11,14, 15)	15,927,333,731		12,421,707,494	
3. Withholding taxes	854,491,636		1,082,470,165	
4. VAT withheld	872,622,716		935,892,008	
5. withholdings	904,760,061		892,953,833	
6. Current income tax liabilities	132,235,319		2,820,069,940	
7. Annual allowance liability	2,972,324,190		2,857,775,890	
8. Current portion of long-term liabilities (Note 6, 15)	100,000,000		100,000,000	
II. Non-current liabilities		3,480,000,000		3,581,770,000
1. Allowance for severance and retirement benefits (Note 2,7)	41,024,888,240		40,071,126,390	
Transfer to national pension	(86,813,500)		(90,944,500)	
Pension plan assets	(40,938,074,740)		(39,980,181,890)	
2. Leasehold deposits received (Note 4)	3,430,000,000		3,431,770,000	
3. Long-term borrowings (Note 6, 15)	50,000,000		150,000,000	
Total Liabilities		25,249,415,153		24,692,639,330
Equity				
I. Retained earnings (Note 9)		133,966,834,246		128,127,758,876
1. Reserve for financial structure improvement	30,828,470,306		39,823,318,766	
2. Reserve for facilities improvement	97,299,288,570		71,758,585,610	
3. Unappropriated retained earnings	5,839,075,370		16,545,854,500	
Total Equities		133,966,834,246		128,127,758,876
Total Liabilities and equities		159,216,249,399		152,820,398,206

"Refer to the attached notes to the financial statement."

Statements of Income

59th : from January 01, 2021 to December 31, 2021

58th : from January 01, 2020 to December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	59th (2021)	58th (2020)
I. Income	140,927,210,798	149,852,299,434
(1) Operating income (Note 11)	133,208,727,760	141,832,541,392
1. Registration and manufacturing inspection	12,796,131,609	12,976,599,543
2. Continuous inspection of class boat	30,454,868,536	29,886,951,506
3. Equipment inspection	20,781,770,117	32,565,590,703
4. Approval of manufacturing process	6,291,087,294	5,655,365,112
5. Technical review	21,797,827,775	18,201,850,668
6. Inspection on behalf of foreign governments	11,589,997,354	12,302,084,490
7. Inspection for industry	10,291,858,338	10,632,824,229
8. Other profit	12,749,410,227	13,568,958,228
9. Inspection on behalf of Korean governments	6,455,776,510	6,042,316,913
(2) Non-operating income (Note 11)	7,718,483,038	8,019,758,042
1. Interest income	138,188,970	117,998,404
2. Foreign exchange gain	1,183,937,006	783,765,556
3. Foreign currency translation gain	993,047,204	89,507,926
4. Gain on disposal of tangible assets	583,869,000	252,918,150
5. Dividends	3,360,015,316	5,046,746,791
6. Gain on pension plan assets	1,014,938,547	803,330,468
7. Other non-operating income	444,486,995	925,490,747
II. Expenses	134,392,425,531	129,604,993,648
(1) Operating expenses (Note 11,13)	133,264,427,061	121,957,643,894
1. Labor cost	55,813,633,328	54,424,155,872
2. Operating cost	18,801,861,067	14,826,596,675
3. Research and education training cost	18,636,958,793	17,086,592,911
4. Management cost	22,097,635,954	16,640,524,637
5. Facility management cost	6,287,361,322	6,306,185,021
6. Severance payment	5,624,729,810	7,037,659,054
7. Depreciation	6,002,246,787	5,635,929,724
(2) Non-operating expenses (Note 11)	1,127,998,470	7,647,349,754
1. Interest expense	4,182,190	28,623,826
2. Foreign exchange loss	698,029,694	990,198,646
3. Foreign currency translation loss	218,799,460	1,487,897,559
4. Loss on disposal of tangible assets	827,498	30,909,244
5. Donation	190,752,200	5,097,784,289
6. Other non-operating cost	15,407,428	11,936,190
III. Net income before income tax	6,534,785,267	20,247,305,786

IV. Income tax expense (Note 8)		695,709,897		3,701,451,286
V. Net income for the year		5,839,075,370		16,545,854,500

"Refer to the attached notes to the financial statement."

Statements of Changes in Equity

59th : from January 01, 2021 to December 31, 2021

58th : from January 01, 2020 to December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total
January 01, 2020	-	-	-	-	111,581,904,376	111,581,904,376
Net income for the year	-	-	-	-	16,545,854,500	16,545,854,500
December 31, 2020	-	-	-	-	128,127,758,876	128,127,758,876
January 01, 2021	-	-	-	-	128,127,758,876	128,127,758,876
Net income for the year	-	-	-	-	5,839,075,370	5,839,075,370
December 31, 2021	-	-	-	-	133,966,834,246	133,966,834,246

"Refer to the attached notes to the financial statement."

Statements of Cash Flows

59th : from January 01, 2021 to December 31, 2021

58th : from January 01, 2020 to December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	59th (2021)	58th (2020)
I. Cash flow from operating activities (Note 10)	7,595,450,181	18,427,503,952
1. Net income for the year	5,839,075,370	16,545,854,500
2. Addition of expenses not involving cash outflows	10,882,131,070	12,078,413,166
A. Bad debt expense	(979,711,518)	(1,115,887,242)
B. Impairment loss on long-term investment securities	15,239,033	11,381,954
C. Depreciation cost	6,002,246,787	5,635,929,724
D. Loss on disposal of tangible assets	827,498	30,909,244
E. Severance benefit	5,624,729,810	7,037,659,054
F. Loss on foreign currency translation	218,799,460	478,420,432
3. Deduction of expenses not involving cash inflows	(4,237,186,795)	(5,411,337,972)
A. Gains on evaluation of securities	9,720,840	17,015,705
B. Gains on disposal of investment property	1,497,507	5,149,400
C. Gain on disposal of tangible asset	583,869,000	252,918,150
D. Dividends	3,360,015,316	5,046,746,791
E. Gain on foreign currency translation	282,084,132	89,507,926
4. Changes in assets and liabilities resulting from operating activities	(4,489,603,604)	(4,785,425,742)
A. Decrease of trade receivable (increase)	4,101,821,049	2,000,975,981
B. Decrease of accrued income (increase)	(15,020,222)	(28,766,778)
C. Decrease of prepaid expense (increase)	20,664,067	(312,543,806)
D. Decrease of advance payment (increase)	27,583,290	(291,238,117)
E. Increase of income tax refund receivable	(4,888,569,464)	-
F. Decrease of other current asset (increase)	(32,219,610)	2,996,450
G. Increase of non-trade payables	3,286,826,777	1,000,858,764
H. Decrease of withholding taxes	(227,978,529)	(392,575,991)
I. Decrease of VAT withheld	(63,269,292)	(105,235,377)
J. Increase of withholdings	11,806,228	154,914,464
K. Increase of current income tax liabilities (decrease)	(2,687,834,621)	1,847,347,142
L. Increase of liabilities for unused annual leave	114,548,300	47,946,060
M. Payment of retirement allowances	(4,670,967,960)	(4,942,809,834)
N. Decrease of transfer to national pension (increase)	4,131,000	13,881,400
O. Decrease of pension plan assets (increase)	(3,571,072,212)	(3,781,176,100)
II. Cash flow from investment activities	(1,545,031,714)	(11,522,223,399)

I. Cash inflow from investment activities	27,140,306,801		8,297,605,041
A. Decrease of short-term investment assets	21,153,935,094		2,202,304,982
B. Receipt of dividends	3,360,015,316		5,046,746,791
C. Decrease of guarantee deposits	201,292,454		210,591,499
D. Decrease of long-term investment securities	10,160,507		29,521,765
E. Disposal of tangible assets	2,414,903,430		808,440,004
2. Cash outflow from investment activities	(28,685,338,515)		(19,819,828,440)
A. Increase of short-term financial securities	13,862,624,545		7,436,077,815
B. Increase of long-term investment securities	54,285,421		84,837,386
C. Increase of long-term loan	-		68,989,200
D. Acquisition of tangible asset	12,858,012,552		9,801,741,753
E. Acquisition of intangible asset	736,900,159		620,977,106
F. Increase of guarantee deposits for rent	983,105,348		728,154,190
G. Acquisition of corporate membership	190,410,490		1,079,050,990
III. Cash flow from financial activities		(96,122,500)	(3,471,157,200)
1. Cash inflow from financial activities	37,664,580		852,407,200
A. Short-term borrowings	5,647,500		-
B. Increase of leasehold deposits received	32,017,080		852,407,200
2. Cash outflow from financial activities	(133,787,080)		(4,323,564,400)
A. Repayment of short-term borrowings	-		2,500,000,000
B. Repayment of current portion of long-term debts	100,000,000		118,750,000
C. Decrease of leasehold deposits received	33,787,080		1,704,814,400
IV. Increase of cash (I + II +III)		5,954,295,967	3,434,123,353
V. Cash at the beginning of the year		17,814,728,914	14,380,605,561
VI. Cash at the end of the year		23,769,024,881	17,814,728,914

"Refer to the attached notes to the financial statement."

Notes to the Financial Statements

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

1. Company Overview

A. Date of establishment: June 20, 1960

B. Main business: Ship registration, inspection and designated projects of load water line

C. Principal business place: 36, Myeongji Oceancity9-ro, Gangseo-gu, Busan, Republic of Korea

D. Branches and business places: 14 places in Korea, 27 places overseas

E. Representative: CEO LEE HYUNG CHUL

2. Significant Accounting Policy

The Company, a body corporate, makes a budget for income and expenditure and executes such budget upon the resolution of the general meeting. These financial statements have been prepared in accordance with accounting standards of KOREAN REGISTER OF SHIPPING and general corporate accounting standards. The significant accounting policies applied in the preparation of the financial statements of the Company are as follows, and these accounting policies are applied consistently in the periods presented, unless otherwise stated.

(1) Cash and cash equivalents assets

The Company treats the currency substitution securities such as currency and other checks, checking account, regular savings and financial product which is easy to convert to cash without a large transaction cost, of which the risk of value change due to interest rate fluctuation is slight and expiration date (or due date) is less than 3 months as cash and cash equivalents assets.

(2) Allowance for bad debts

The Company sets the allowance for bad debts as the amount of bad debts calculated based on rational and objective criteria such as accounts receivable whose collection is uncertain. The allowance for bad debts is calculated by deducting the allowance for bad debts from the bad debt estimate. The bad debt expense for accounts receivable from commercial transactions is accounted as business expense. The bad debt expense for other receivables is recorded as non-operating expenses. Non-recoverable receivables are offset against allowance for doubtful accounts. And when the allowance for bad debts is insufficient, the amount which is sufficient can be recognized as bad debt expense.

(3) Marketable securities

Acquisition cost of tangible assets are measured as the price including acquisition cost attached to Market value (when there are no Market value for provided acquisition cost, it shall be Market value of received marketable securities) of the cost which includes the incidental acquisition cost and since the Company categorizes as Marketable Securities, Available-for-sale, and Held-to-maturity according to purpose of acquisition and characteristics by applying overall average law, the evaluation method of marketable securities that the Company applies are stated as below.

1) Evaluation of Trading Securities

The Company categorizes marketable securities (it includes the marketable securities which forms the securities portfolio which states clearly that it is managed with a purpose to acquire the short term profit) in which the purchasing and selling is active for sales profit within short term and the fair value is counted as price of financial statement price, along with marking unrealized obtained loss and profit as non-operating income (cost) with subject as profit (loss) of evaluation of marketable securities.

2) Evaluation of Long-Term Investment Securities

Securities that are not classified as held for trading (debt securities and equity securities) are classified as long-term investment securities, which are non-current assets.

① Debit security

The Company categorizes as Available-for-sale which is non-current asset when there is active purpose and skill to preserve the debit security in which the repayment amount was confirmed as a debit security with confirmed deadline or possible to confirm deadline. However, the Available-for-sale in which the deadline is within a year from ending date of reporting period is categorized as current asset.

The Available-for-sale is marked toward the condition of financial statement after evaluating as acquired original cost after the repayment and when it is measured through acquired original cost after the repayment, the difference between acquired original cost and end of the term face value is adjusted toward the acquired original cost and interest profit after repaying according to the effective interest rate law throughout repayment period.

Meanwhile, if there is a high possibility of not being able to collect the principal and interest of Available-for-sale, the subtracted amount between collectable price and acquired original cost after repayment are processed as cost other than business by inserting them as subject of loss of available-for-sale and the collectable price after subtracting the loss amount is marked as price of financial statement. However, in the case of being related to occurred incident after the period of recovery of recognized loss recognizing the loss, it is processed as non-operating income with loss and purchase return of available-for-sale as a subject and limiting to the acquired original cost after repayment when not recognizing the loss in beginning of the current year.

② Equity security

The Company categorizes equity securities that are not categorized as trading securities as long-term investment securities which is non-current asset.

The equity security is reported at fair value in the financial statement, however, in case that it is not able to measure the fair value of the non-marketable equity securities, it is evaluated as acquisition cost. Unrealized holding gain and loss and profit from fair value evaluation of the equity securities are treated as income for the year under the account of gain or loss of the investment securities.

Meanwhile, when there is objective evidence that equity securities are impaired and recoverable amount is less than the acquisition cost of the equity securities, it is treated as non-operating expenses under the impairment loss of the long-term investment securities. And the gain(loss) on valuation of the equity securities for these equity securities are deducted (added) from loss on the long-term investment securities. However, in the case when the recovery of loss which is recognized is objectively related to the occurred incident after the period of recognizing the loss, the recovered amount is processed as Non-operating income while having purchase return of Held-to-maturity as a subject for returned amount with loss amount which is previously recognized as a limit. If the recovery of the recognized impairment loss is objectively related to the event occurring after the impairment was recognized, the previously recognized

impairment loss is treated as non-business income to the extent of impairment loss amount that has been previously recognized under the reversal of the impairment loss of the long-term investment securities.

(4) Acquisition cost of tangible asset and depreciation method etc.

The tangible cost of the Company is evaluated as acquisition cost. Among the repair expenses, expenses that extend the useful life of the asset or substantially increase its value are added to the cost of the assets for the year, and expenses for restoring to the original state or maintaining the efficiency are treated as expenses for the year.

The Company assesses the potential impairment of tangible asset when there is evidence that events or changes in circumstances have made the recovery of an asset's book value unlikely. Impairment loss is recognized when the book value of an asset exceeds the value of its future economic benefits. The book value of an impaired asset is reduced to its estimated realizable value, and an impairment loss is recorded as a reduction in the book value of the related asset and charged to current operations. If, subsequently, the value of the asset exceeds the impaired book value, this recovery would be recorded in current operations up to the cost of the asset, net of accumulated depreciation before impairment.

Depreciation of tangible assets including building, structure, vehicles and transportation equipment, is calculated using the straight-line method, while depreciation of other assets is calculated using declining balance method, based on the estimated useful lives of the assets as follows.

Classification	Useful lives
Building	40 years
Structure	20 years
Vehicles and transportation equipment	5 years
Other assets	4 years

(5) Capitalization of borrowing cost

Borrowing costs directly attributable to the manufacturing, purchasing, construction or development of tangible and intangible assets which take more than 1 year to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(6) Intangible asset

The acquisition cost of intangible assets includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Intangible assets are measured initially at the acquisition cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses. Depreciation of intangible assets is calculated using the straight-line method, based on the estimated useful lives of the assets as follows.

Classification	Useful lives
Used profit donation asset	20 years

Software	5 years
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(7) Employees Benefits

1) Allowance for severance liabilities

Employees and directors with at least one year of service are entitled to receive a lump-sum severance payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. As of December 31, 2021, the accumulated amounts for severance benefits which should be provided when entire executives and employees retire according to payment regulation of retirement benefit of this Company are 41,025 million won, and the entire amount is set as allowance for severance liabilities.

2) Annual Allowance Liabilities

The Company recognizes expenses and liabilities that are related to annual paid vacation in an accounting period in which service provides and causes right for upcoming annual paid vacations of the employees. The Company shall recognize expenses and liabilities for annual paid vacation which occurs by providing service as it compensates unused annual vacation of the employees.

(8) Provisions and Contingent Liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In addition, the Company discloses a contingent liability if there is a possible obligation from past events in which the existence may only be identified through the occurrence of uncertain future events or there is a present obligation that the possibility on the outflow of economic resources is uncertain or the amount of economic resources required to settle the present obligation cannot be reasonably estimated.

(9) Translation of foreign currency

1) Functional Currency and Presentation Currency

The financial statements are presented in Korean won which is the Company's functional currency which is the currency of the primary economic environment in which the Company operates ("functional currency").

2) Foreign Currency Transaction and Translation of Foreign Currency at the End of Reporting Period

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in non-operating profit or loss.

(10) Income tax etc.

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities.

(11) Setting-off Settlement Principle of Claims and Obligations

The Company does not recognize revenue and expenses for government grants related to research and development and service contracts that are carry forward under the generally accepted accounting principles, but recognizes the revenue and expenses under the settlement principle of claims and obligations.

(12) Accounting Regulations of the Korean Register of Shipping

Company shall account in accordance with the accounting regulations of Korean Register of Shipping.

1) Investment securities shall be accounted by market value evaluation, and related gain and loss on valuation is appropriated for income for the year. Each investment securities may apply the equity method (Generally Accepted Accounting Principles) by the resolution of board of directors meeting.

2) Incomes generated from providing service and renting of goods such as facilities and rights etc. under the long-term contract are recognized with the amount claimed for day of receiving each payment as a reference.

3) Government grants related to income, including the national research development task, government subsidiaries and others, are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. While, government grants related to assets are recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

3. Long term investment securities

(1) Details of long-term investment securities as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)				
Classification	2021		2020	
	acquisition cost	Book Value	acquisition cost	Book Value
Subsidiaries	10,640,862,572	10,632,167,085	10,648,188,142	10,639,492,655
Available for sale securities	378,487,406	147,703,580	1,080,538,690	141,121,390
Hold-to-maturity securities	123,097,772	123,097,772	121,695,000	121,695,000
Total	11,142,447,750	10,902,968,437	11,850,421,832	10,902,309,045

(2) Details of long-term investment securities of the Company's subsidiaries as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)						
Classification	No. of shares owned (share)	Share ratio (%)	2021		2020	
			acquisition cost	Book Value	acquisition cost	Book Value
Korean Register Copenhagen	-	-	-	-	8,663,000	8,663,000
KR HELLAS LIMITED	7,000	100	590,391,000	590,391,000	590,391,000	590,391,000
Korea Registered of Shipping (China) Ltd.	8,200,500	100	9,117,414,354	9,117,414,354	9,117,414,354	9,117,414,354

PT KOREANREGISTER INDONESIA	990	99	868,644,403	868,644,403	868,644,403	868,644,403
KOREAN REGISTER(B) SDNBHD	10,000	50	8,696,487	1,000	8,696,487	1,000
Korean Register KR Hamburg GmbH	2,500	100	32,364,250	32,364,250	32,364,250	32,364,250
KR Alexandria	1,000	99	21,730,562	21,730,562	21,730,562	21,730,562
KR MALAYSIA CLASSIFICATIONAND CERTIFICATIONS DN. BHD	-	100	284,086	284,086	284,086	284,086
Korean Register Belgium(B.V)	-	100	1,337,430	1,337,430	-	-
Total			10,640,862,572	10,632,167,085	10,648,188,142	10,639,492,655

The subsidiaries above were accounted for at an acquisition cost, not applying equity method of accounting, in accordance with the accounting policy of the Company.

(3) Details of available-for-sale securities among the long-term investment securities as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)						
Classification	No. of shares owned (share)	Share ratio (%)	2021		2020	
			acquisition cost	Book Value	acquisition cost	Book Value
Marketable equity securities:						
Korea Line Corporation	7,770	0.002%	187,147,479	20,512,800	187,147,479	23,620,800
SIMPAC Inc.	144	0.000%	213,542,207	923,040	213,542,207	355,680
Pan Ocean Co., Ltd.	23,220	0.004%	290,258,790	125,620,200	290,258,790	116,564,400
STX Heavy Industry	111	0.000%	22,295,810	526,140	22,295,810	428,460
C&S assets management	90	0.001%	907,381	113,400	907,381	148,050
Sub total			714,151,667	147,695,580	714,151,667	141,117,390
Non-marketable equity securities:						
KOREA SHIPPING CORPORATION (Samseon Logics)	2,493	-	183,982,240	1,000	183,982,240	1,000
SWU Shipping	419	-	104,914,090	1,000	104,914,090	1,000
Kukdong Elecom	66	-	33,373,440	1,000	33,373,440	1,000
DAEBO L&S CO.,LTD	193	-	50,006,908	2,000	44,117,253	1,000
Inter Shipping Co. Ltd.	132	-	3,317,640	1,000	-	-
Jiseong Shipping Co. Ltd.	46	-	2,324,672	1,000	-	-
Jiseong Energy Co. Ltd.	11	-	568,416	1,000	-	-
Sub total			378,487,406	8,000	366,387,023	4,000
Total			1,092,639,073	147,703,580	1,080,538,690	141,121,390

The available-for-sale securities above are acquired as a result of the conversion of bonds held by the Company due to the rehabilitation plan approval to the subject companies.

(4) The bond with purpose of held-to-maturity among the long-term investment securities appropriated for the acquisition cost as national and public bond in full, and the details of it as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)		
Division	2021	2020
National housing bond and others	123,097,772	121,695,000

4. Property, plant and equipment

(1) Changes in the book value of the property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows.

<2021>

(Unit: Korean won)						
Account	Book value at the beginning	Increase	Decrease	Replacement (*1)	Depreciation	Book value at the end
Land	17,393,516,784	-	-	292,268,848	-	17,685,785,632
Building	69,796,392,309	928,248,293	(1,791,444,594)	10,096,377,139	(2,398,074,322)	76,631,498,825
Structure	37,671,776	-	-	-	(2,469,900)	35,201,876
Machineries	2,173,714,534	702,699,075	(901,498)	-	(1,259,696,770)	1,615,815,341
Vehicle and transport	787,329,324	110,800,516	(3,000)	-	(232,559,364)	665,567,476
Other tangible assets	2,121,747,052	682,924,044	(68,000)	562,096,620	(1,348,679,743)	2,018,019,973
Construction in progress	916,154,710	10,433,340,624	-	(11,086,222,607)	-	263,272,727
Total	93,226,526,489	12,858,012,552	(1,792,417,092)	(135,480,000)	(5,241,480,099)	98,915,161,850

(*) The replacement cost of construction-in-progress amounting to 135,480 thousand won is the cost replaced to software of the intangible asset.

<2020>

(Unit: Korean won)						
Account	Book value at the beginning	Increase	Decrease	Replacement (*1)	Depreciation	Book value at the end
Land	17,393,516,784	-	-	-	-	17,393,516,784
Building	67,235,587,559	5,343,176,238	(586,209,098)	-	(21,96,162,390)	69,796,392,309
Structure	40,141,676	-	-	-	(2,469,900)	37,671,776
Machineries	1,239,590,687	415,305,273	(120,000)	1,317,272,727	(798,334,153)	2,173,714,534
Vehicle and transport	524,326,104	496,829,478	(10,000)	-	(233,816,258)	787,329,324
Other tangible assets	2,704,927,419	1,252,003,327	(92,000)	-	(1,835,091,694)	2,121,747,052
Government subsidies	(10,049,825)	-	-	-	10,049,825	-
Construction in progress	7,000,000	2,294,427,437	-	(1,385,272,727)	-	916,154,710

Total	89,135,040,404	9,801,741,753	(586,431,098)	(68,000,000)	(5,055,824,570)	93,226,526,489
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(*) The replacement cost of construction-in-progress amounting to 68,000 thousand won is the cost replaced to software of the intangible asset.

(2) Details of insured assets as of December 31, 2021 and 2020 are as follows.

						(Unit: Korean won)
Classification	Type	Book value		Covering amount		Insurance company
		2021	2020	2021	2020	
Headquarter Building	Property all risks insurance	55,853,930,436	55,758,010,255	83,946,931,702	67,170,055,000	Samsung Fire & Marine Insurance
Daejeon Headquarter Building	Fire insurance	2,334,158,912	2,511,539,140	5,510,191,901	5,510,191,901	KB Insurance
Gunsan TOC Center	Property all risks insurance	4,490,459,390	5,036,228,503	14,457,239,874	13,456,239,874	Meritz Fire & Marine Insurance Co, Ltd.

(3) The differences between appraised value and book value of land that the Company owns as of December 31, 2021 and 2020 are as follows.

						(Unit: Korean won)
Book value		Appraised value of land		Difference		
2021	2020	2021	2020	2021	2020	
17,685,785,632	17,393,516,784	63,659,799,070	59,225,464,140	45,974,013,438	41,831,947,356	

The amount 17,685,785 thousand won is the sum of 1,715,553 thousand won for Daejeon HQ and 15,970,232 thousand won for Busan HQ as of December 31, 2021.

(4) As at the end of reporting period, Leasehold right-mortgage for guarantee deposits for rent had been established on the building of the Company to KEB Hana Bank and Korean government amounting to 1,560,000,000 KRW and 550,000,000 KRW, respectively. Also right to collateral security was established to the Korea Credit Guarantee Fund amounting to 1,800,000,000 KRW.

5. Intangible Asset

(1) Changes in the intangible assets for the years ended December 31, 2021 and 2020 are as follows.

<2021>

						(Unit: Korean won)
Account	Balance at the beginning	Acquisition	Amortization	Replacement	Balance at the end	
Software	2,002,593,119	736,900,159	(754,202,270)	135,480,000	2,120,771,008	
Usable and profitable donation assets	3,339,575,114	-	(378,029,342)	-	2,961,545,772	
Government subsidy	(3,282,893,114)	-	371,464,924	-	(2,911,428,190)	

Total	2,059,275,119	736,900,159	(760,766,688)	135,480,000	2,170,888,590
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<2020>

(Unit: Korean won)					
Account	Balance at the beginning	Acquisition	Amortization	Replacement	Balance at the end
Software	1,887,156,750	620,977,106	(573,540,737)	68,000,000	2,002,593,119
Usable and profitable donation assets	3,717,604,454	-	(378,029,340)	-	3,339,575,114
Government subsidy	(3,654,358,037)	-	371,464,923	-	(3,282,893,114)
Total	1,950,403,167	620,977,106	(580,105,154)	68,000,000	2,059,275,119

(2) The total amortization cost of intangible assets is appropriated in the operating expense.

6. Long and short term borrowings

(1) Details of the short-term borrowings as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)				
Borrowed by	Purpose	Interest rate (%)	2021	2020
		2020		
A. G. Abolfazl	Working capital	-	5,647,500	-

(2) Details of the long-term borrowings as of December 31, 2021 and 2020 are as follows.

(Unit: Korean won)				
borrowed by	Purpose	Interest rate (%)	2021	2020
		2020		
Nonghyup Bank	Facility Fund	2.0%	150,000,000	250,000,000
Liquidity Replacement			(100,000,000)	(100,000,000)
Non-current liabilities			50,000,000	150,000,000

7. Allowance for severance and retirement benefits

(1) As of December 31, 2021 and 2020, the accumulated amounts for retirement benefits which should be provided when entire executives and employees retire according to payment regulation of retirement

benefit of this Company are 41,024,888 thousand won and 40,071,126 thousand won, respectively, and the changes in the allowance for severance and retirement benefits are as follows.

(Unit: Korean won)		
Classification	2021	2020
Balance at the beginning	40,071,126,390	37,976,277,170
Established amount for the year	5,624,729,810	7,037,659,054
Paid amount for the year	(4,670,967,960)	(4,942,809,834)
Balance at the end	41,024,888,240	40,071,126,390

(2) Besides establishing allowance for severance and retirement benefits, the Company has been joined in the retirement pension having the executives and employees as insured person and beneficiary, and set the reason for the claim payment as its executives and employees' retirement. The Company have retirement pension plans at financial institutes including KEB Hanan Bank etc. and the balance of pension plan assets at the beginning is 40,686,280 thousand won and the balance at the end is 44,257,353 thousand won.

(Unit: Korean won)		
Classification	2021	2020
Balance at the beginning	40,686,280,757	36,905,104,657
Established amount for the year	5,894,948,547	6,534,209,130
Paid amount for the year	(2,323,876,335)	(2,753,033,030)
Balance at the end	44,257,352,969	40,686,280,757

(3) Pension asset plan of the Company consists of the followings.

(Unit: Korean won)		
Classification	2021	2020
Bond	7,416,284,197	1,472,089,810
Fixed deposit	15,303,541,626	8,895,664,321
Others	21,537,527,146	30,318,526,626
Total	44,257,352,969	40,686,280,757

(4) The Company operates interim payment of retirement benefits.

8. Income Tax etc.

(1) Income tax rate of the Company including local income tax is 24.2% of basis of the assessment standard, however, the actual tax burden on net income before the tax is 10.65%.

(2) According to the accounting regulations of Korean Register of Shipping, the amount to be paid under the statute is appropriated for income tax expense.

9. Statement of Appropriation of Retained Earnings

Statement of Appropriation of Retained Earnings for the years ended December 31, 2021 and 2020 is as follows.

Statement of Appropriation of Retained Earnings

59th	from January 1, 2021 to December 31, 2021	58th	from January 1, 2020 to December 31, 2020
Expected appropriation date	February 24, 2022	Confirmed appropriation date	February 25, 2021

(Unit: Korean won)

Account	59th (2021)	58th (2020)
I. Unappropriated retained earnings	5,839,075,370	16,545,854,500
1. Unappropriated retained earnings carried over from prior years	-	-
2. Net income for the year	5,839,075,370	16,545,854,500
II. Transfer from voluntary reserves	-	-
Total	5,839,075,370	16,545,854,500
III. Appropriated retained earnings	5,839,075,370	16,545,854,500
1. Disposal of reserve of facility	5,839,075,370	16,545,854,500
IV. Unappropriated retained earnings to be carried forward to subsequent year	-	-

10. Matters on the Statement of Cash Flow

The statement of cash flow was prepared by using the indirect method, and the trades with and without cash flows for the years ended December 31, 2021 and 2020 are as follows.

(Unit: Korean won)		
Classification	2021	2020
Setoff of trade receivables and allowance for bad debt	402,875,783	616,040,963
Replacing tangible assets of construction in progress	10,950,742,607	1,317,272,727
Replacing software of construction in progress	135,480,000	68,000,000
Replacing liquidity of long-term borrowings	100,000,000	200,000,000

11. Transactions with related party

(1) Details of the Company's related parties as of December 31, 2021 and 2020 are as follows.

Relationship	2021	2020
Subsidiaries	Korea Registered Shipping (China) Ltd. PT KOREAN REGISTER INDONESIA KR HELLAS LIMITED KOREAN REGISTER (B) SDN BHD KR Alexandria KRS CONSULTORIA EM SHIPPING, UNIPES Korean Register KR Hamburg GmbH Korean Register Copenhagen Korean Register Belgium(B.V)	Korea Registered Shipping (China) Ltd. PT KOREAN REGISTER INDONESIA KR HELLAS LIMITED KOREAN REGISTER (B) SDN BHD KR Alexandria KRS CONSULTORIA EM SHIPPING, UNIPES Korean Register KR Hamburg GmbH Korean Register Copenhagen

(2) Monetary transaction with related parties

1) Details of monetary transaction with related parties for the years ended December 31, 2021 and 2020 are as follows.

<2021>

(Unit: Korean won)					
Company	Long term loan				
	at the beginning	Increase	Impairment loss	Foreign currency translation	at the end
KOREAN REGISTER (B) SDN BHD	-	-	(43,386,800)	43,386,800	-
KR HELLAS LIMITED	73,603,200	-	-	225,500	73,828,700
Total	73,603,200	-	(43,386,800)	43,612,300	73,828,700

<2020>

(Unit: Korean won)					
Company	Long term loan				
	at the beginning	Increase	Impairment loss	Foreign currency translation	at the end
KOREAN REGISTER (B) SDN BHD	588,152,263	68,989,200	(649,553,800)	(7,587,663)	-
KR HELLAS LIMITED	72,696,250	-	-	906,950	73,603,200
Total	660,848,513	68,989,200	(649,553,800)	(6,680,713)	73,603,200

(3) Details of transaction with related parties for the years ended December 31, 2021 and 2020 are as follows.

(Unit: Korean won)					
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Related parties	Details of transaction	2021	2020
Korean Register of Shipping (China) Limited	Dividend income	3,358,845,676	5,046,729,511
	Income such as loyalty and technical support cost etc.	822,317,139	1,730,692,932
	Payment of service consignment considerations	7,514,501,577	4,672,669,295
KOREAN REGISTER (B) SDN BHD	Lending funds	-	68,989,200
	Interest income	23,049,048	16,723,191
	Acquisition of qualification for inspector and ISO17020 inspection cost etc.	-	36,008,280
PT KOREAN REGISTER INDONESIA	Payment of service price	320,037,194	240,343,948
KR HELLAS LIMIED	Income of software development	70,768,125	69,663,920
	Interest income	3,411,466	-
	Management fee and rental income etc.	26,566,000	-
	Audited revenue of CE MARK	273,175,000	36,855,600
	Payment of KRH service cost	1,160,252,375	927,245,583
	Other travel expenses	1,201,750	-
KR Alexandria	Payment of service price	122,707,592	99,879,490
KRS CONSULTORIA EM SHIPPING, UNIPES	Payment of service price	96,894,999	113,168,775
Korean Register KR Hamburg GmbH	Payment of service price	1,382,585,740	1,287,334,228
Korean Register Copenhagen	Payment of service price	-	146,547,970
	Collection of investment	8,246,725	-
KR MALYASIA CLASSIFICATION AND CERT	Investment expenses	-	284,086
	Payment of service price	77,477,272	-
Korean Register Belgium(B.V)	Increase in investment	3,158,007	-

(4) Details of credit· debt with related parties for the years ended December 31, 2021 and 2020 are as follows.

(Unit: Korean won)					
Related parties	Classification	2021		2020	
		Credit	Debt	Credit	Debt
Korean Register of Shipping (China) Ltd.	Non-trade payables	-	7,965,371,671	-	4,953,029,452
	Trade receivables	387,251,312	-	1,730,692,932	-
KOREAN REGISTER (B) SDN BHD	Long term loan	692,940,600	-	649,553,800	-
	Accrued interest	86,705,796	-	63,656,748	-
PT KOREAN REGISTER INDONESIA	Non-trade payables	-	107,204,964	-	-

KR Hellas Limited	Trade receivable	289,608,110	-	1,947,000	-
	Long term loan	73,828,700	-	73,603,200	-
	Accrued interest	8,420,517	-	5,009,051	-
	Advance payment	-	-	9,662,517	-
	Non-trade payables	-	117,753,344	-	-
KR Alexandria	Non-trade payables	-	2,397,081	-	3,218,010
Korean Register KR Hamburg Gmb	Non-trade payables	-	2,814,887	-	-
	Advance payment	288,799,927	-	306,720,700	-
KRS CONSULTORIA EM SHIPPING, UNIPES	Non-trade payables	-	-	-	2,206,865
KR MALAYSIA CLASSIFICATION AND CERT	Non-trade payables	-	4,965,672	-	-

(5) Company considers registered executives and non-registered executives and others, who have significant rights and responsibilities for planning• management• control of the company activities, as key management personnel, and compensation paid to key management personnel for the years ended December 31, 2021 and 2020 are as follows.

(Unit: Korean won)		
Classification	2021	2020
Wage	1,253,413,340	1,189,633,400
Severance benefit	62,502,000	82,250,650
Total	1,315,915,340	1,271,884,050

12. Contingencies and Commitments

(1) Details of significant commitments with financial institutes as of December 31, 2021 are as follows.

(Unit: Korean won, USD)			
Provision	Financial institute	Limited amount	Loan balance
Purchased foreign currency	KEB Hana Bank	USD 100,000.00	-

(2) Payment guarantee

The Company has been provided with payment guarantee of 7,443,594 thousand won representing performance bonds etc. by Seoul Guarantee Insurance as of December 31, 2021. In addition, the Company has been provided with payment guarantee of 2,802,765 thousand won (limited amount: 3,500,000 thousand won) representing advance payment bonds and performance bonds of Korean naval forces and Hyundai Heavy Industries by KEB Hana bank as of December 31, 2021.

(3) Offering Collateral

Leasehold right-mortgage for guarantee deposits for rent had been established on the building of the Company to KEB Hana Bank and Korean government amounting to 1,560,000,000 KRW and 550,000,000 KRW, respectively. Also right to collateral security was established to the Korea Credit Guarantee Fund amounting to 1,800,000,000 KRW.

(4) Status of pending litigations

Details of significant litigations in which Company participates as a defendant as of December 31, 2021 are as follows.

Case no.	Jurisdiction	Details	Plaintiff	Defendant	Litigation cost (unit: KRW)	Current status
2020Gadan 5092577	Seoul Central District Court	Compensation for damage	Huh** and 5 others	Korean Register of Shipping & 7 others	100,000,000	under the first trial

As the Company cannot reasonably estimate the outcome of the litigation as of December 31, 2021, it does not recognize a provision for litigation in this financial statement.

13. Accounts required for value-added calculations and the amounts

Accounts required for value-added calculations and the amounts are as follows.

Account	(Unit: Korean won)	
	Cost for business	
	2021	2020
Salary	55,813,633,328	54,424,155,872
Severance benefit	5,624,729,810	7,037,659,054
Welfare	10,505,252,648	5,759,184,765
Rental expenses	2,688,516,474	2,823,261,258
Depreciation cost	6,002,246,787	5,635,929,724
Taxes and dues	8,309,206,501	7,661,821,057
Total	88,943,585,548	83,342,011,730

14. The translation of foreign currency assets • liabilities

(1) Detailed translations of monetary foreign currency assets • liabilities are as follows.

Account	Currency	(Unit: KRW, EUR, JPY, RMB, USD)			
		2021		2020	
		Amount in foreign currency	Equivalent to KRW	Amount in foreign currency	Equivalent to KRW
Cash and cash equivalents	EUR	-	-	168,555.33	225,567,485
	JPY	169,502,855	1,746,286,213	118,106,751.00	1,245,152,233

	RMB	16,155,533.09	3,009,129,593	15,108,282.33	2,522,478,818
	USD	5,830,078.79	6,913,435,543	7,213,390.65	7,848,169,027
	Others		540,612,865		496,992,859
	Sub total		12,209,464,214		12,338,360,422
Trade receivables	EUR	43,095	57,848,142	73,157.00	97,901,624
	JPY	18,610,538	191,733,206	22,191,846.00	233,959,756
	RMB	2,079,760	387,376,098	10,569,319.00	1,764,653,500
	USD	7,399,957.35	8,772,649,847	9,275,245.65	10,091,467,267
	Others		7,701,289		28,730,394
	Sub total		9,417,308,582		12,216,712,541
Long-term loans	BND	790,000.00	692,940,600	790,000.00	649,553,800
	EUR	55,000.00	73,828,700	55,000.00	73,603,200
	Sub total		766,769,300		723,157,000
Accrued income	BND	98,850.58	86,705,798	77,420.58	63,656,748
	EUR	6,273.01	8,420,517	-	-
	Sub total		95,126,315		63,656,748
Total foreign currency assets			22,412,498,384		25,341,886,711
Non-trade payables	EUR	11,185	15,014,073	2,349.08	3,143,633
	RMB	43,940,210	8,184,303,455	29,135,823.56	4,864,517,102
	USD	101,350	120,150,425	10,575.73	11,506,394
	Others		112,674,383		9,211,415,066
Total foreign currency debt			8,432,142,336		14,090,582,195

In connection with the translation of foreign currencies above, gains on foreign currency translation and losses on foreign currency translation of 993,047 thousand won and 218,799 thousand won, respectively, were counted up as non-operating income.

(2) Details of the applied exchange rate are as follows.

Type of foreign currency	Applied exchange rate	
	2021	2020
EUR	1,342.34	1,338.24
JPY	1,030.24	1,054.26
RMB	186.26	166.96
USD	1,185.50	1,088.00

15. Liquidity risk management methods and maturity analysis of financial liabilities

(1) Liquidity risk management methods

The Company's fund-related departments maintain a certain level of borrowing limits to ensure sufficient liquidity. The Company invests surplus funds in financial instruments such as money market deposit accounts and fixed deposits etc.

(2) Maturity analysis of financial liabilities

The details of the maturity analysis on each type of the financial liabilities which have financial assets including cashes to settle are as follows.

<2021>

(Unit: Korean won)				
Division	Book value	Less than 3 months	3 Months ~ 1 year	More than 1 year
Non-trade payables	15,927,333,731	15,927,333,731	-	-
Short-term borrowings	5,647,500	-	5,647,500	-
Security deposit	3,430,000,000	-	-	3,430,000,000
Long-term borrowings	150,000,000	25,000,000	75,000,000	50,000,000
Total	19,512,981,231	15,952,333,731	80,647,500	3,480,000,000

<2020>

(Unit: Korean won)				
Division	Book value	Less than 3 months	3 Months ~ 1 year	More than 1 year
Non-trade payables	12,421,707,494	12,421,707,494	-	-
Borrowings	250,000,000	-	100,000,000	150,000,000
Total	12,671,707,494	12,421,707,494	100,000,000	150,000,000

16. Approval of Financial Statement

The financial statements which are prepared to be submitted for the 59th will be approved in fact by the board of directors on February 10, 2022.

Schedules of Financial Statements

The auditor has conducted the auditing for financial statement in accounting year which ends on December 31, 2021 for Korea Register of Shipping. The account auditing standard was also applied to the attached Schedules of Financial Statements.

In our opinion, the attached Schedules of Financial Statements fairly present the financial information which should be included in the Schedules of Financial Statements related to the above mentioned financial statement.

- Attached hereto:
1. Statements of Income
 2. Statements of Current Assets
 3. Statements of Investment Assets and Other Non-current Assets
 4. Statements of Tangible Assets and Intangible Assets
 5. Statements of Current Liabilities
 6. Statements of Non-current Liabilities
 7. Statements of Equity

Statements of Income

59th : from January 01, 2021 to December 31, 2021

58th : from January 01, 2020 to December 31, 2020

Korean Register of Shipping (import account)

(Unit : Korean Won)

Account	59th (2021)	58th (2020)
1. Operating income	133,208,727,760	141,832,541,392
(1) Registration and manufacturing inspection	12,796,131,609	12,976,599,543
1. Registration inspection during manufacturing	12,491,923,267	12,884,089,942
2. Registration inspection after manufacturing	303,620,219	92,509,601
3. Manufacturing inspection	588,123	-
(2) Continuous inspection of class boat	30,454,868,536	29,886,951,506
1. Regular inspection	3,630,017,952	4,180,193,278
2. Intermediate inspection	2,280,590,464	2,450,504,364
3. Annual inspection	4,047,219,014	3,685,831,275
4. Interim inspection	10,278,616,480	10,863,614,415
5. Unloading equipment inspection	679,956,520	771,757,755
6. Refrigeration equipment inspection	14,371,351	17,266,684
7. Continuous inspection of class boat by contract	9,524,096,755	7,917,783,735
(3) Inspection of equipment and materials	20,781,770,117	32,565,590,703
1. Metallic materials	7,505,436,012	12,914,726,040
2. Equipment and materials for ship body	954,233,443	1,069,806,946
3. Equipment and materials for engine	10,056,527,780	15,033,109,560
4. Equipment and materials for electricity	1,463,554,780	2,415,981,185
5. Control and automatic equipment	333,542,787	603,571,039
6. Other equipment and materials	468,475,315	528,395,933
(4) Approval of manufacturing process	6,291,087,294	5,655,365,112
1. Approval of quality assurance system	502,237,418	596,866,798
2. Approval of manufacturing process	484,714,568	513,307,223
3. Approval of forms	3,053,054,724	2,775,560,557
4. Approval of design	286,952,032	155,509,711
5. Other approval	1,964,128,552	1,614,120,823
(5) Technical review	21,797,827,775	18,201,850,668
1. Approval of technical data	2,894,493,074	4,135,816,341
2. Technical calculation	257,935,790	266,029,477
3. Technical research	18,110,629,343	13,282,834,854
4. Testing inspection	275,610,000	304,096,364
5. Verifying appraisal and confirmation	259,159,568	213,073,632
(6) Inspection on behalf of foreign governments	11,589,997,354	12,302,084,490
1. Ship inspection	207,637,773	207,559,378
2. Inspection of agreement	8,200,826,404	9,342,625,931
3. Inspection of domestic marine pollution prevention equipment	505,360,412	497,094,226
4. Inspection of navigation facilities	-	-

5. ISM/ISPS inspection	2,676,172,765		2,254,804,955	
(7) Inspection for industry		10,291,858,338		10,632,824,229
1. CE-Mark	8,416,800		14,800,000	
2. Product certification	1,205,010,713		1,042,553,977	
3. Other equipment inspection	39,910,960		95,473,950	
4. Technical cooperation	1,716,053,756		1,473,432,166	
5. Inspection of PLANT	-		(1,310,000)	
6. Quality certification	1,189,681,398		1,215,317,958	
7. Inspection of vessel and equipment etc.	5,403,569,319		6,464,102,268	
8. Energy and industrial technology assessment	729,215,392		328,453,910	
(8) Other profit		12,749,410,227		13,568,958,228
1. Distribution of general certificates	8,598,797,473		7,941,587,086	
2. Importing publication	282,056,962		336,043,831	
3. Other import	165,000,000		329,987,114	
4. Education profit	822,317,139		2,483,534,452	
5. Import related to branch in China	257,994,700		1,731,336,245	
6. Rental income	2,623,243,953		746,469,500	
(9) Inspection on behalf of Korean governments		6,455,776,510		6,042,316,913
1. Technical review and container inspection	311,437,126		298,333,763	
2. Ship inspection	160,111,437		144,844,364	
3. Inspection of agreement	2,625,354,403		2,371,928,214	
4. Inspection of domestic marine pollution prevention equipment	267,077,157		287,348,834	
5. ISM/ISPS inspection	1,867,359,260		1,743,223,078	
6. Material for ship check	506,963,343		448,444,502	
7. Container for dangerous materials check	627,896,160		651,027,207	
8. Preventing sea pollution equipment check	32,426,900		35,734,750	
9. Other incomes	57,150,724		61,432,201	
II. Non-operating income		7,718,483,038		8,019,758,042
(1) Non-operating income		7,134,614,038		7,766,839,892
1. Miscellaneous income	66,067,301		113,704,017	
2. Interest profit	138,188,970		117,998,404	
3. Gain on foreign currency transaction	1,183,937,006		783,765,556	
4. Gain on foreign currency translation	993,047,204		89,507,926	
5. Gain on disposal of investment property	1,497,507		5,149,400	
6. Gain on valuation of long-term investment securities	9,720,840		17,015,705	
7. Dividends	3,360,015,316		5,046,746,791	
8. Funding for childcare facilities	187,304,753		137,400,000	
9. Profits from operating pension fund	1,014,938,547		803,330,468	
10. Non-operating income	179,896,594		652,221,625	
(2) Gain on disposal of tangible assets		583,869,000		252,918,150
Total		140,927,210,798		149,852,299,434

Statements of Income

59th : from January 01, 2021 to December 31, 2021

58th : from January 01, 2020 to December 31, 2020

Korean Register of Shipping (expense account)

(Unit : Korean Won)

Account	59th (2021)	58th (2020)
I. Operating expenses	133,264,427,061	121,957,643,894
(1) Labor cost	55,813,633,328	54,424,155,872
1. Annual salary	50,276,672,182	49,123,664,123
2. Allowance	5,536,961,146	5,300,491,749
(2) Operating cost	18,801,861,067	14,826,596,675
1. Inspection expense	16,674,801,006	12,556,888,325
2. Management expense	466,121,871	432,875,716
3. International activity expenses	574,531,060	703,246,141
4. Promotion expenses	636,319,434	615,140,815
5. Book and data expenses	111,643,703	128,492,321
6. Printing expenses	338,443,993	389,953,357
(3) Research and education/ training expenses	18,636,958,793	17,086,592,911
1. Research expenses	16,640,913,594	14,863,884,594
2. Electronic data processing expenses	1,218,519,348	1,501,089,129
3. Education/ training expenses	777,525,851	721,619,188
(4) General administrative expense	22,097,635,954	16,640,524,637
1. Welfare expenses	10,505,252,648	5,759,184,765
2. Transportation expenses	929,420,451	1,028,185,645
3. Office supplies expenses	961,651,345	1,366,341,358
4. Communication expenses	684,214,718	684,754,187
5. Taxes and dues & insurance premium	8,309,206,501	7,661,821,057
6. Meeting & conference expenses	247,248,273	246,963,620
7. Event expenses	173,964,574	150,049,843
8. General miscellaneous expenses	1,273,497,855	859,111,404
9. Bad debt expense	(986,820,411)	(1,115,887,242)
(5) Facility management expenses	6,287,361,322	6,306,185,021
1. Rental expenses	2,688,516,474	2,823,261,258
2. Utilities expenses	1,111,575,336	1,077,142,751
3. Vehicle maintenance expenses	267,462,986	322,740,130
4. Repairing expenses	2,219,806,526	2,083,040,882
(6) Severance benefit	5,624,729,810	7,037,659,054
(7) Depreciation cost	6,002,246,787	5,635,929,724
II. Non-operating expense	1,127,998,470	7,647,349,754
(1) Non-operating expense	1,111,931,939	7,605,058,556
1. Interest expense	4,182,190	28,623,826
2. Losses on foreign currency	698,029,694	990,198,646

transaction				
3. Loss on foreign currency translation	218,799,460		1,487,897,559	
4. Donation	190,752,200		5,097,784,289	
5. Miscellaneous loss	168,395		554,236	
(2) Loss on disposal of tangible asset		827,498		30,909,244
(3) Impairment loss on long-term investment securities		15,239,033		11,381,954
Total		134,392,425,531		129,604,993,648

Statements of Current Asset

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account		Details	59th (2021)	58th (2020)
Cash and cash equivalents		Saving accounts	11,538,591,422	7,538,863,117
		Foreign saving accounts	10,671,872,945	8,820,463,267
		Domestic business unit fund	20,969,245	58,056,255
		Oversea business unit fund	1,537,591,269	1,397,346,275
		Sub total	23,769,024,881	17,814,728,914
Trade receivable	Non-trade receivables for inspection	Various inspection expenses except ships	16,713,848,691	20,984,349,794
		Allowance for bad debt	(3,516,624,314)	(4,965,647,463)
		Sub total	13,197,224,377	16,018,702,331
Short term investment properties		Short term investment properties	-	7,291,310,549
Accrued income		Accrued income	95,126,313	75,829,988
		Allowance for bad debt	(86,705,796)	(63,656,748)
Advance payment		Advance payment	288,799,927	316,383,217
Prepaid expense		Insurance premium etc.	501,136,133	521,800,200
Income tax refund receivables		refund receivables for interim tax payment	1,187,587,729	-
Other current assets		Cancelling corporate card etc.	46,554,701	14,335,091
Total current assets			38,998,748,265	41,989,433,542

Statements of Investment Assets and Other Non-current Assets

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	Details	59th (2021)	58th (2020)
Long term investment securities	Capital stock of Korean Register of Shipping (China) Limited	9,117,414,354	9,117,414,354
	Capital stock of Jakarta corporation	868,644,403	868,644,403
	stock price for KRH	590,391,000	590,391,000
	Capital stock of Hamburg (GmbH)	32,364,250	32,364,250
	Investment for Alexandria	21,730,562	21,730,562
	Capital stock of KR Antwerp (Belgium)	1,337,430	-
	Capital stock for local office in Kuala Lumpur	284,086	284,086
	Investment of local joint venture in Brunei	1,000	1,000
	Capital stock of Copenhagen (LLC)	-	8,663,000
	Shares converted to investment for Korea Line Corporation	20,512,800	23,620,800
	Shares converted to investment for SIMPAC Inc.	923,040	355,680
	Shares converted to investment for Pan Ocean	125,620,200	116,564,400
	Shares converted to investment for STX Heavy Industries co., Ltd.	526,140	428,460
	Shares converted to investment for C&S Assets Management	113,400	148,050
	Investment of Korea Shipping Corporation (Samsun Logics) Co. ,Ltd.	1,000	1,000
	Shares converted to investment for SWU Shipping	1,000	1,000
	Shares converted to investment for Kukdong Elecom	1,000	1,000
	Shares converted to investment for DAEBO L&S CO.,LTD	2,000	1,000
	Shares converted to investment for Inter Shipping Co. Ltd.	1,000	-
	Shares converted to investment for Jiseong Shipping Co. Ltd.	1,000	-
Shares converted to investment for Jiseong Energy Co. Ltd.	1,000	-	
Housing bond and others	123,097,772	121,695,000	
Sub total	10,902,968,437	10,902,309,045	
Long term loan	loans for joint venture in Brunei	649,553,800	649,553,800
	allowance for bad debt	(649,553,800)	(649,553,800)
	loans for KRH	73,828,700	73,603,200
	Sub total	73,828,700	73,603,200
Deposit	Other deposits	13,471,203	19,945,066
	Guarantee deposits for office rent	930,721,611	887,432,939

	Guarantee deposits for company housing rent	1,544,863,558	799,865,473
	Telegraph and telephone subscription rights	3,772,930	3,772,930
	Sub total	2,492,829,302	1,711,016,408
Corporate membership	Golf membership	2,087,061,480	1,896,650,990
	Condominium membership	255,484,546	255,484,546
	Sub total	2,342,546,026	2,152,135,536
Pension plan asset	pension plan asset	3,319,278,229	706,098,867
	Sub total	3,319,278,229	706,098,867
Total investment properties and other non-current assets		19,131,450,694	15,545,163,056

Statements of Tangible Assets and Intangible Assets

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping
59th (2021)

(Unit : Korean Won)

Tangible Asset	Balance at the beginning carried forward	Amount of increase for the year	Amount of decrease for the year	Replacement	Balance at the end	Appropriation of depreciation cost for the year	Undepreciated balance
Land	17,393,516,784	-	-	292,268,848	17,685,785,632	-	17,685,785,632
Building	69,796,392,309	928,248,293	(1,791,444,594)	10,096,377,139	79,029,573,147	(2,398,074,322)	76,631,498,825
Structure	37,671,776	-	-	-	37,671,776	(2,469,900)	35,201,876
Machinery	2,173,714,534	702,699,075	(901,498)	-	2,875,512,111	(1,259,696,770)	1,615,815,341
Vehicle and transport	787,329,324	110,800,516	(3,000)	-	898,126,840	(232,559,364)	665,567,476
Other tangible assets	2,121,747,052	682,924,044	(68,000)	562,096,620	3,366,699,716	(1,348,679,743)	2,018,019,973
Assets under construction	916,154,710	10,433,340,624	-	(11,086,222,607)	263,272,727	-	263,272,727
Total	93,226,526,489	12,858,012,552	(1,792,417,092)	(135,480,000)	104,156,641,949	(5,241,480,099)	98,915,161,850

Intangible Asset	Balance at the beginning carried forward	Amount of increase for the year	Amount of decrease for the year	Replacement	Balance at the end	Appropriation of depreciation cost for the year	Undepreciated balance
Software	1,692,165,156	673,978,159	-	135,480,000	2,501,623,315	(635,031,081)	1,866,592,234
Software (consignment)	310,427,963	62,922,000	-	-	373,349,963	(119,171,189)	254,178,774
Usable and profitable donation assets	3,339,575,114	-	-	-	3,339,575,114	(378,029,342)	2,961,545,772
Usable and profitable donation assets of government subsidies	(3,282,893,114)	-	-	-	(3,282,893,114)	371,464,924	(2,911,428,190)
Total	2,059,275,119	736,900,159	--	135,480,000	2,931,655,278	(760,766,688)	2,170,888,590

58th (2020)

Tangible Asset	Balance at the beginning carried forward	Amount of increase for the year	Amount of decrease for the year	Replacement	Balance at the end	Appropriation of depreciation cost for the year	Undepreciated balance
Land	17,393,516,784	-	-	-	17,393,516,784	-	17,393,516,784
Building	67,235,587,559	5,343,176,238	(586,209,098)	-	71,992,554,699	(2,196,162,390)	69,796,392,309
Structure	40,141,676	-	-	-	40,141,676	(2,469,900)	37,671,776
Machinery	1,239,590,687	415,305,273	(120,000)	1,317,272,727	2,972,048,687	(798,334,153)	2,173,714,534
Vehicle and transport	524,326,104	496,829,478	(10,000)	-	1,021,145,582	(233,816,258)	787,329,324
Other tangible assets	2,704,927,419	1,252,003,327	(92,000)	-	3,956,838,746	(1,835,091,694)	2,121,747,052
Government subsidies	(10,049,825)	-	-	-	(10,049,825)	10,049,825	-
Assets under construction	7,000,000	2,294,427,437	-	(1,385,272,727)	916,154,710	-	916,154,710
Total	89,135,040,404	9,801,741,753	(586,431,098)	(68,000,000)	98,282,351,059	(5,055,824,570)	93,226,526,489

Intangible Asset	Balance at the beginning carried forward	Amount of increase for the year	Amount of decrease for the year	Replacement	Balance at the end	Appropriation of depreciation cost for the year	Undepreciated balance
Software	1,553,869,112	542,492,602	--	68,000,000	2,164,361,714	(472,196,558)	1,692,165,156
Software (consignment)	333,287,638	78,484,504	-	-	411,772,142	(101,344,179)	310,427,963
Usable and profitable donation assets	3,717,604,454	-	-	-	3,717,604,454	(378,029,340)	3,339,575,114
Usable and profitable donation assets of government subsidies	(3,654,358,037)	-	-	-	(3,654,358,037)	371,464,923	(3,282,893,114)
Total	1,950,403,167	620,977,106	-	68,000,000	2,639,380,273	(580,105,154)	2,059,275,119

Statements of Current Liabilities

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	Details	59th (2021)	58th (2020)
Short term borrowings	Operating Tehran Office (borrowing from the Shipping)	5,647,500	-
Current maturities of long-term debt	Nonghyup Bank	100,000,000	100,000,000
Non-trade payables	Settlement for consignment consideration and others	15,927,333,731	12,421,707,494
Withholding taxes	Withholding taxes for salary of December 2021 etc.	854,491,636	1,082,470,165
VAT	VAT for Q4 of 2021	872,622,716	935,892,008
Withholdings	Withholdings for TB Marine Shipmanagement and others	904,760,061	892,953,833
Current income tax liabilities	Income tax liabilities for the year of closing 2021	132,235,319	2,820,069,940
Annual allowance liability	Annual allowance liability	2,972,324,190	2,857,775,890
Total current liabilities		21,769,415,153	21,110,869,330

Statements of Non-current Liabilities

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	Details	59th (2021)	58th (2020)
Long-term borrowings	Nonghyup Bank	50,000,000	150,000,000
Allowance for severance benefits	Accumulated allowance for severance benefits	41,024,888,240	40,071,126,390
Transfer to national pension	Conversion amount for retirement	(86,813,500)	(90,944,500)
Pension plan asset	Asset management for retirement	(40,938,074,740)	(39,980,181,890)
Leasehold deposits received	Korea Exchange Bank and others	3,430,000,000	3,431,770,000
Total fixed liabilities		3,480,000,000	3,581,770,000

Statements of Equity

59th : as of December 31, 2021

58th : as of December 31, 2020

Korean Register of Shipping

(Unit : Korean Won)

Account	Details	59th (2021)	58th (2020)
Reserve for financial structure improvement	Balance carried forward and transfer from funds	30,828,470,306	30,828,470,306
Reserve for facilities improvement	Balance carried forward and transfer from reserves	97,299,288,570	80,753,434,070
Net income for the year	Net income for the year	5,839,075,370	16,545,854,500
Total capital		133,966,834,246	128,127,758,876

Reference for Management Analysis

The reference for Management Analysis is attached in order for user of the audit report to understand the situation of the Company more easily. And the reference for Management Analysis was calculated from the financial statements of the Company.

Reference for Management Analysis

Korean Register of Shipping

Classification		Formula	59th (2021)	58th (2020)
1. Safety ratio	(1) Current Ratio	Current asset/ current liabilities*100	179.14%	198.90%
	(2) Quick Ratio	quick asset/ current liabilities*100	179.14%	198.90%
	(3) Liabilities Ratio	Total liabilities/shareholders' equity *100	18.85%	19.27%
	(4) Fixed asset to long term capital ratio	Fixed asset/(shareholders' equity +fixed liabilities)*100	87.46%	84.15%
2. Profitability ratio	(1) Ratio of net profit to net sales	Net income for the year /net sales*100	4.38%	11.67%
	(2) Total ordinary profit rate	Ordinary profit/total asset*100	4.19%	13.91%
	(3) Return on equity	Net income for the year/shareholders' equity*100	4.46%	13.80%
	(4) Ordinary income rate of equity capital	Ordinary profit/ shareholders' equity*100	4.99%	16.89%
3. Activity ratio	(1) Total asset turnover ratio	Net sales/total equity*100	1.02 times	1.18 times
	(2) Trade receivable turnover rate	Net sales/trade receivable*100	9.12 times	8.68 times
	(3) Inventory asset turnover ratio	Net sales/inventory asset*100	- times	- times
	(4) Tangible asset turnover ratio	Net sales/tangible asset*100	1.39 times	1.56 times
4. Growth ratio	(1) Net sales growth rate	Sales for the year/ sales for the previous year *100-100	(6.08%)	10.60%
	(2) Operating income growth rate	Operating income for the year/ operating income for the previous year *100-100	(67.73%)	94.80%
	(3) Growth rate of net profit for the year	Net income for the year/net income for the previous year *100-100	(64.71%)	83.95%
	(4) Total assets growth rate	Total asset at the end of the year /total asset at the end of previous year *100-100	4.19%	10.54%

Note: 1. Calculating the safety ratio: all amounts which were used in the formula are the balance at the end of the year

2. Calculating the profitability ratio and activity ratio: total equity, shareholders' equity, trade receivables, inventory asset, and fixed assets are the average value of the balance at the beginning of the year and balance at the end of the year.